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TAGS: [PREL](#) [PGOV](#) [PMUC](#) [PTER](#) [PHUM](#) [IN](#) [IR](#) [TW](#) [CH](#)
SUBJECT: SENATOR LIEBERMAN MEETING WITH VFM ZHANG YESUI ON
IRAN, TAIWAN, TRADE ISSUES, INDIA

Classified By: Deputy Political Section Chief Ben Moeling. Reasons 1.4
(b/d).

Summary

¶1. (C) Senator Joseph Lieberman (ID-CT) urged Vice Foreign Minister Zhang Yesui to "do everything possible" to stop the Iranian supply of weapons, particularly Chinese-made weapons, to insurgents in Iraq and Afghanistan. Senator Lieberman advised Zhang to take Congressional bills on trade with China very seriously. VFM Zhang said Iran is ready to establish diplomatic relations with the United States and stated that Renminbi (RMB) appreciation will not solve U.S.-China trade differences. VFM Zhang reiterated China's concern over Taiwan's application for UN membership. He noted that the Mainland prefers the KMT's Ma Ying-jeou to Frank Hsieh of the DPP in Taiwan's March 2008 Presidential election, but conceded that Hsieh's support for Taiwan independence is not as firm or direct as Chen Shui-bian's. End Summary.

Iran

¶2. (C) Senator Lieberman discussed the Iran threat, the Taiwan Presidential race, United States-China trade issues, Sino-Indian relations and other topics related to energy and environment with VFM Zhang Yesui on August 8. Senator Lieberman pressed VFM Zhang to "do everything possible" to stop the Iranian supply of weapons, particularly Chinese-made weapons, to insurgents in Iraq and Afghanistan. Senator Lieberman emphasized that this issue is as important to the United States as the Taiwan issue is to China. VFM Zhang said he understands the Senator's concern and assured the Senator that China has stringent regulations on the sale of weapons to other countries and that exports of conventional weapons are "quite small."

¶3. (C) VFM Zhang stated that "dialogue is better than not talking at all," and that "according to what (the MFA) has learned," Iran is ready to establish diplomatic relations with the United States. Senator Lieberman said the United States also desires dialogue but noted that discussion must be followed by action. Senator Lieberman stressed that the United States does not want to take military action but warned that "unless they (Iran) alter their behavior, it will happen."

Taiwan

14. (C) VFM Zhang reiterated MFA talking points on Taiwan, stating that this year and next constitute a "period of high risk" in cross-Straits relations. VFM Zhang described Taiwan's recent application for UN membership as an important step toward de jure independence and changing the status quo, which could have a "serious impact" on the peace and stability of the Strait and region. Senator Lieberman assured Zhang that the majority of Congress supports our one-China policy, but suggested that the United States' longstanding relationship with Taiwan creates "awkwardness" within the policy that can be solved "through time."

15. (C) VFM Zhang declared that the Mainland prefers the KMT's Ma Ying-jeou to Frank Hsieh of the DPP in Taiwan's 2008 Presidential election, but conceded that Hsieh's support for Taiwan independence is not as firm or direct as Chen Shui-bian's.

VFM Zhang Calls for "Economic Restructuring"

16. (C) VFM Zhang called attention to a number of "protectionist" bills in Congress and noted that the roughly ten percent appreciation of the RMB since 2005 has had little effect on the U.S.-China trade deficit. VFM Zhang said there needs to be "economic restructuring" to solve U.S.-China trade problems. Emphasizing the importance of the U.S.-China trade relationship and expressing his general support for free trade, Senator Lieberman advised Zhang to take the Congressional bills on U.S.-China trade seriously

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and urged China to take immediate steps, such as allowing RMB appreciation, to "reassure the American people" that China is working to improve the situation. China should also price capital at a mature rate and continue to expand U.S. companies' access to the Chinese market. He stressed that despite the strong, steady state of the U.S. economy, the American public is anxious about the economic future.

Energy and Environment

17. (SBU) Both sides discussed the importance of cooperating on issues related to energy and the environment, particularly in developing clean, efficient sources of energy. VFM Zhang remarked that 94 percent of China's current energy consumption is supplied domestically and that China intends to increase nuclear energy from 2 to 4 percent of domestic energy consumption. He lamented that China continues to waste and pollute its water supply, despite having one of the lowest per capita water resources rates in the world.

China Fears "Double or Triple Standard" in Nuke Deal

18. (C) VFM Zhang said the recent U.S.-India "123 Agreement" on civilian nuclear energy use is a bilateral issue between the United States and India. He added that China hopes the Nuclear Non-Proliferation Treaty will be upheld and a "double or triple standard" will not arise out of the deal. VFM Zhang described India-China relations as "very good." The border dispute is the main problem between the sides, he said, but there has been "recent progress."

Bilateral Cooperation

¶9. (C) Senator Lieberman thanked VFM Zhang for China's contributions to progress in the Six-Party Talks and the Darfur issue. Both sides were upbeat about prospects for cooperation in the bilateral relationship. Senator Lieberman voiced his hope that future "differences of opinion" between the United States and China will be merely "differences between friends."

¶10. (U) Senator Lieberman's delegation cleared this cable.
RANDT